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PART I.

IMPORTANT GOVERNMENT ORDERS.

CHIEF SECRETARIAT

Retrenchment Committee.

READ—

Government Order No. 4899-958—C. B. 171-21-1, dated 3rd February 1922, appointing a Special Committee for scrutinising the financial position of the State.

2. The following orders of Government ordering retrenchments in the several departments with reference to the recommendations made by the Committee.

NUMBER AND DATE OF THE ORDERS.	SUBJECT.
Government Order No. 341-2—C B 21-22-1, dated 16th July 1922.	Fixing the pay of the Judges of the Chief Court.
Government Order No. 343-5—C B 21-22-2, dated 18th July 1922.	Fixing the pay of the Agent, Mysore Railways.
Government Order No. 6498-6577—C B 226-21-1, dated 21st April 1922.	Prohibiting the filling up permanently of vacant posts in the sanctioned scales of establishments until further orders.
Government Order No. I & C 770-829—E C 4-22-1, dated 31st July 1922.	Regarding the future working of the Mysore Economic Conference.
Government Order No. L 7567-82—Sany 55-21-1, dated 26th June 1922.	Retrenchments in the Sanitary Department.
Government Order No. Fl 132-81—G F 251-21-2, dated 8th July 1922.	Regarding the winding up of Village Savings Banks, etc.
Government Order No. Fl 29-78—S & A 1-22-1, dated 6th July 1922.	About raising the age of Superannuation.
Government Order No. 7622-23—C B 225-21-3, dated 26th June 1922.	Appointment of a Junior Officer as Meteorological Reporter to Government.
Government Order No. M 4884-7—G M 102-21 1, dated 6th May 1922.	Reorganization of the Archæological Department.
Government Order No. 423-25—I & C 22-21-3, dated 15th July 1922.	Regarding the working of the Museum and the Arts and Crafts Depot.

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NUMBER AND DATE OF THE ORDERS.	SUBJECT.
Government Order No. I & C 6306-66—Geol 88-21-1, dated 27th June 1922.	Abolition of the separate Explosives Branch of the Department of Mines.
Government Order No. R 7048-109—L R 341-21-1, dated 16—19th June 1922.	Retrenchments in the Revenue Department.
Government Order No. R 7205-66—L R 341-21-3, dated 21st June 1922.	Abolition of the Sub-Taluk of French Rocks.
Government Order No. I C 342-402—Ft-113-21-7, dated 5th July 1922.	Retrenchments in the Forest Department.
Government Order No. R 7569-80—Ex 71-21-5, dated 30th June 1922.	Retrenchments in the Excise Department.
Government Order No. E 1000-50—P & S 25-22-1, dated 8th August 1922	Retrenchments in the Printing and Stationery Departments.
Government Order No. P 6-16—Pol 1-22-1, dated 1st July 1922.	Retrenchments in the Police Department.
Government Order No. P 1739-42—Pol 1-22-5, dated 2nd September 1922, and Government Order No. 5315-6—Pol 164-20-15, dated 29th December 1922.	Regarding the Police Training School.
Government Order No. I C 2633-92—I & C 121-22-1, dated 24th October 1922.	Reorganization of the Industries and Commerce Department.
Government Order No. P. W. 480-528—E 208-21-29, dated 9th September 1922.	Budget of the Public Works Department.
Government Order No. P. W. 373-426—E. 1974-2027, dated 9th September 1922.	Reorganization of the Public Works Department.
Government Order No. L 7301-3—Med 129-21-2, dated 13th June 1922.	Regarding the Medical Department.
Government Order No. J 1115-20—Pris 72-21-3, dated 16th August 1922.	Regarding economies in the Prisons Department.
Government Order No. 324-28—Ry F 54-G 22-23, dated 31st July 1922.	Regarding economies in the Railway Budget.
Government Order No. 4800-50—Edn 414-21-2, dated 26th June 1922.	Regarding the budget grant to the Education Department.
Government Order No. L 2119-80—C S 21-22-1, dated 6th September 1922.	Retrenchments in the Co-operative Department, and the levy of fees on suits filed before the Registrar of Co-operative Societies.
Government Order No. I C 974-1003—Geol 19-22-1, dated 9th August 1922.	Retrenchments in the Geological Department.
Government Order No. P 1644-1710—Mily 27-22-1, dated 30th August 1922.	Regarding the reduction in the Amrut Mahal Department.
Government Order No. 616-22—O E 12-22-1, dated 25th July 1922.	Regarding the General and Revenue Secretariat.
Government Order No. 517-50—Muz 53-22-1, dated 31st July 1922.	Regarding the Muzrai Department.
Government Order No. P. 1524-6—Mily 54-22-1, dated 23rd August 1922.	Regarding the Kunigal Stud Farm.
Government Order No. Fl 2008-57—S & A 7-22-9, dated 3rd November 1922.	Regarding the reduction of allowances to salaried officers of Government.
Government Order No. Fl 411-60—S & A 7-22-1, dated 18th July 1922.	Abolishing Kolar Gold Fields local allowances.
Government Order No. 942-5—C B 63-22-1, dated 28th August 1922.	Regarding the combination of duties of certain Heads of Departments.
Government Order No. O. 1629-92—G M 42-22-1, dated 11th September 1922.	Regarding the reduction of menial establishments.
Government Order No. P 2305-56—Cts 77-22-1, dated 16th September 1922.	Regarding the Courts in the Kadur District.
Government Order No. Fl 2286-335—G F 32-22-1, dated 6th September 1922.	Retrenchments in the Comptroller's Office.
Government Order No. L 2397-458—A & E 51-22-1, dated 14th September 1922.	Retrenchments in the Departments of Agriculture, Gardens and Sericulture.
Government Order No. O 313-75—G M 14-22-1, dated 12th July 1922.	Revising the fees for the occupation of first and second class travellers' bungalows.
Government Order No. 70-120—Camp Mysore, dated 7th October 1922.	Revising the rates of travelling allowances.
Notification No. P 34—Regis 37-21-3, dated 4th July 1922.	Revising registration fees.

3. Final report of the Special Finance Committee, dated 31st July 1922, making proposals for balancing the budget and furnishing a forecast of revenue and expenditure with general observations and recommendations on important points brought to light during their investigation.

ORDER No. 4105-54—C. B. 163-22-1, DATED 13TH JANUARY 1923.

The Special Finance Committee was appointed under Government Order No. 4899-958—C B 171-21-1, dated 3rd February 1922. As the course of expenditure during the last year indicated that it would end with a heavy deficit instead of a small surplus as anticipated when the budget was prepared and it appeared that the position was not likely to improve during the next and succeeding years, the Committee were requested by Government to undertake a detailed and continuous investigation into the finances of the State and submit recommendations on the following points :—

(i) Review of the State's Finances for the past five years with a view to ascertain the causes of the deficit in the revenue position.

(ii) Formulation of proposals for wiping out the deficit and restoring financial equilibrium,

(*a*) by retrenchment and economy of expenditure without impairing the efficiency of the essential services, and

(*b*) by improvement of revenue and resources including enhanced additional taxation if found unavoidable.

(iii) Preparation of a forecast of revenue and expenditure for the next three years so as to result in a balanced budget after providing for necessary financial reserves such as Famine Reserve, and Sinking Fund for Loans, as well as for renewals and replacements of the State Railways.

(iv) Preparation of a forecast of Capital Demands under all heads for the next three years with reference to the resources (including loans) that may be counted upon.

(v) Examination of the past policy in regard to Public Debt and Investments and Ways and Means operations including utilization of Reserve and Depreciation Funds, and suggesting changes if considered necessary.

2. The Committee submitted on the 31st May 1922 an Interim Report of their recommendations, which was placed before the Birthday Session of the Representative Assembly as well as the Legislative Council which met soon after. The Final Report of the Committee was received by Government on the 1st August 1922 and Government now proceed to review the same.

3. In their review of the State's Finances during the past five years in accordance with the first term of reference, the Committee trace the course of revenue and expenditure for the quinquennium ending with the year 1920-21. They report that the revenues during the period ranged between Rs. 294·24 lakhs and Rs. 315·25 lakhs, while the expenditure rose continuously from Rs. 243·37 lakhs, to Rs. 336·33 lakhs, so that, during the last year of the quinquennium the expenditure was in excess of the revenue by Rs. 28·20 lakhs. This, however, did not include the contributions to essential reserves which amounted to Rs. 20·40 lakhs. The real shortage, according to the Committee, in the last year of the quinquennium was therefore Rs. 43·60 lakhs. They consider that the position during the year 1921-22 was rendered worse by the fact that although the departmental expenditure was reduced by over Rs. 29 lakhs, the large loan of Rs. 2½ crores raised during the year threw the burden of heavy interest and Sinking Fund charges on the normal revenues of the State.

4. The Committee have summarised the causes which have rendered the State's financial position unsound, as follows :—

(i) Sufficient attention was not paid to the development of certain permanent sources of revenue, such as Land Revenue and Stamps. The revision of settlements has not received adequate attention.

(ii) Want of due appreciation as between stable and unstable sources of revenue in the matter of utilising them for permanent or recurring expenditure.

(iii) Utilising the entire receipts from Mining Royalty as a normal item of revenue for ordinary administration.

(iv) Raising the standard of service expenditure out of all proportion to the average level of ordinary revenue.

(v) The starting of new services and expansion of activities of old service departments simultaneously on a large scale.

(vi) Undertaking the construction of numerous large buildings and other works without reference to the money available for completing them.

(vii) Simultaneous undertaking of a number of large capital works without reference to the resources available for financing them.

(viii) Raising of large loans for expenditure on projects which have proved wholly unproductive or which yield only a small fraction of the expected return and the consequent loss of interest income and the creation of an unproductive debt, the service of which is a burden on ordinary revenues.

(ix) Increase in the cost of establishment and of supplies and services on account of rise in prices and wages.

5. In formulating their proposals for wiping out the deficit, the Committee assume that the annual revenues of the State according to present resources amount to Rs. 299 lakhs, while the demands under service expenditure inclusive of Sinking Funds and necessary reserves amount to Rs. 341 lakhs resulting in a deficit of 42 lakhs. They have reviewed the expenditure under all the departments of Government in great detail and have submitted 41 resolutions recommending retrenchments in recurring expenditure to the extent of Rs. 35·70 lakhs. They also propose measures for improvement in revenue resources particularly under Forest Revenue to the extent of Rs. 3·64 lakhs and under Stamp Duty, Court Fees, and Registration Fees to the extent of about Rs. 5 lakhs in order to bridge the gap between revenue and expenditure.

6. Government have already passed orders on the recommendations submitted by the Committee in their several resolutions. It is not necessary now to refer to them in detail. It will be sufficient if the general effect of the retrenchments already ordered is indicated in brief.

7. The standard of expenditure for Service Departments assumed by the Committee in framing their proposals is Rs. 285·5 lakhs which the Committee propose to reduce by retrenchments to a level of about Rs. 250·5 lakhs per annum. Government observe that the standard adopted by the Committee, based as it mainly has been on the budget estimates for 1921-22, corresponds neither with the actual expenditure of the year 1920-21, the last year of the quinquennium dealt with in their review, nor with the revised estimates of the succeeding year (1921-22).

8. The orders passed by Government on the different recommendations of the Committee in the matter of retrenchment would, in the ordinary course, have brought down the level of service expenditure by Rs. 15 lakhs below the standard of 285½ lakhs assumed by the Committee, *i.e.*, to 270½ lakhs. But as the standard of expenditure adopted by the Committee as a basis of their recommendations was much lower than the actual level of service charges, a comparison of the actual service expenditure in 1920-21, the last year of the quinquennium surveyed in the Committee's report, with the allotments made in the budget of the current year is necessary to indicate the full extent of the net retrenchments already effected. The total allotment for service expenditure fixed in the budget for the current year inclusive of the charges against Mining Revenue is Rs. 278·24 lakhs and as compared with the expenditure of Rs. 322·36 lakhs actually incurred in 1920-21, it represents a general reduction in service charges to the extent of Rs. 44·12 lakhs. It may also be pointed out that the retrenchment of Rs. 44·12 lakhs already effected includes a total sum of Rs. 10½ lakhs out of the reductions ordered on the recommendations of the Committee. Further reductions to the extent of 4½ lakhs have been ordered on their proposals since the budget was fixed and will be given effect to in the course of the year, bringing the level of service expenditure to Rs. 273¾ lakhs. Thus the total retrenchments already effected during the two years amount to Rs. 48·60 lakhs representing a reduction of 15% of the total service charges and 19% of the part of such charges open to reduction.

9. The minimum level, in the opinion of Government, to which the service expenditure of the State can be reduced with safety has already been indicated in the Dewan's Address presented to the Representative Assembly in June last. Inclusive of the charges against Mining Revenue, the minimum level of service expenditure has been fixed at Rs. 270 lakhs. Proposals for effecting a further reduction of about Rs. 3¾ lakhs are under the consideration of Government.

10. It may be pointed out that the reductions in service expenditure already effected and ordered involve the abolition of approximately the following number of posts in Government Service:—

Gazetted posts	74
Posts of Executive Subordinates	396
Ministerial ranks	178
Menials	977
	1,625

11. With reference to the recommendations of the Committee for the improvement of the resources of the State an additional grant of Rs. 50,000 has been placed in the

budget of the current year at the disposal of the Conservator of Forests for the exploitation of the teak forests in the Heggaddevankote Taluk. License fees and fees for the occupation of travellers' bunglows have been enhanced and orders have been issued directing the levy of fees in suits filed before the Registrar of Co-operative Societies. The fees for the registration of documents have been enhanced by a notification to the standard in force in the Madras Presidency and bills for the amendment of the Mysore Stamp Regulation and the Mysore Court Fees Regulation providing for the enhancement of Stamp Duties and Court Fees as recommended by the Committee have already passed through the Legislative Council. The proposal to levy a super-tax is also before the same Council.

12. The Committee have prepared a forecast of revenue and expenditure for the next three years, 1923 to 1926, as requested in the terms of reference. They recommend that the normal revenue of Rs. 299 lakhs may be increased during this period to 323 lakhs of which Rs. 5 lakhs represent the enhancement under Stamp duties, Court Fees and Registration Fees and Rs. 19 lakhs the normal development under other heads of revenue. The policy of Government in this respect has already been indicated in para 39 of the Dewan's Address to the Representative Assembly. The improvement in three years anticipated in the general forecast is Rs. 56 lakhs.

13. The charges against the total revenue demand proposed by the Committee may be grouped as follows:—

(a) Normal Revenue Expenditure		250½ lakhs
(b) Interest and Sinking Fund charges		50½
(c) Reserves consisting of—		
Famine Fund Reserve	5	
Reserve for non-recurring expenditure	3	22
Irrigation Capital Reserve	3	
Mining Reserve	11	
Total		323 lakhs

14. The policy proposed to be pursued by Government in regard to expenditure has also been fully indicated in detail in the Dewan's Address presented to the Representative Assembly in June last. This policy involves a clear classification, according to their nature, of the different resources of the State and the separation of Productive Works Finance from the Normal Administration Finances. The resources will in future be broadly classified under three heads comprised as follows:—

1. Normal Revenues.
2. Uncertain revenues and assets of a Capital nature.
3. Revenues from Productive Works.

It will be the endeavour of Government to meet all the charges on account of Service Expenditure, the Famine Insurance Fund, (Rs. 5 lakhs) and the Special Reserve for non-recurring expenditure, from the normal revenues of the State. In order that this object may be fully attained, it will be necessary to increase the normal revenues by Rs. 25 lakhs during the next three years and also reduce service expenditure exclusive of the charges against mining revenue to Rs. 268 lakhs from the standard of Rs. 275¾ lakhs fixed in the budget for the current year. The action taken with a view to reduce service expenditure to the normal level has been indicated above and the measures for the increase of revenue will receive the continuous attention of Government.

15. Government propose to utilise the Mining Revenue for building up another asset. The revenues from productive works stand at present at Rs. 45 lakhs, while the Interest on Loans and the Sinking Fund Contributions to be met from these revenues is Rs. 54 lakhs. Government propose to take measures to increase the revenues under productive works by Rs. 13 lakhs during the next three years. They are of opinion that the revenue from productive works should have to meet not only the interest on the loans raised by Government to finance them, but should also provide sufficient funds for industrial experiments and irrigational developments (Industrial Development Fund Rs. 1½ lakhs and Irrigation Capital 13½ lakhs). As the increase of 13 lakhs in the revenue from productive works will not be sufficient for paying the Sinking Fund of the Loans raised to finance them, Government are taking steps to take credit to the extent of about Rs. 11 lakhs annually from the Sterling Railway Loan Sinking Fund towards Sinking Fund Charges. Representations are being made to the Government of India to permit of this being done. The total improvement to be aimed at in the three years will thus be Rs. 56 lakhs per annum as follows:—

Increase in revenue	38 lakhs
(25 lakhs under normal sources and 13 lakhs under productive works.)	
Reduction of Expenditure	7
Contribution from Sterling Loan Sinking Fund	11
	56 lakhs

16. The Committee have submitted detailed recommendations in respect of the total grant for Capital Works Expenditure during the current year. The total amount recommended by them for the various works now under progress is Rs. 55 lakhs. The budget for the current year fixes the Capital Works Grant at Rs. 46·54 lakhs. With reference to the Bhadravati Iron Works, the Committee consider that as another public loan would be necessary for completing the works, further progress may be stopped in order that the cash position may not be embarrassed. It has already been explained in the Address of the Dewan to the Representative Assembly in June last that it will not be necessary to float another loan to complete the works and that exclusive of the sum required for working capital, the amount required for completing the urgent items can be provided for in the Normal Capital programme. Government accordingly consider that it is not correct policy at this stage to close down the works as it is anticipated that operations will begin during the course of the month. Further information on the subject will be placed before the public at a very early date.

17. The Committee report that the Capital demand during the next three years will roughly amount to Rs. 150 lakhs. They recommend that it should be limited to Rs. 120 lakhs at an average rate of 40 lakhs per annum so that it might be possible to finance capital works without recourse to another public loan. This sum of Rs. 120 lakhs is proposed to be made up of Rs. 73 lakhs representing the normal accretions of the unfunded debt, *viz.*, Savings Bank Deposits, Life Insurance Fund, the Depreciation Funds and the Mining Fund Capitalisation Reserve and of Rs. 47 lakhs being the aggregate of the probable surplus revenues of the Civil and Military Station and the contribution from the Sterling Loan Sinking Fund during the next three years. Government are in full sympathy with the recommendations of the Committee that no public loan should be floated for carrying out the Capital Works Programme for the next three years. The requirements for the next three years under Capital Expenditure for Railways, Electric and Industrial Works are being carefully ascertained and Ways and Means for financing them will be laid down with due regard to this recommendation.

18. The main recommendations of the Committee in regard to the policy relating to public debt operations is the separation of the Sinking Fund and the Famine Reserve Fund from that maintained towards meeting the other liabilities of Government such as the Savings Bank Deposits, Insurance Fund, Local Funds, etc. Orders have already been issued to the Comptroller for the separation of the securities of the Sinking Fund and the Famine Reserve Fund from those maintained for the other liabilities. Both the Sinking and the Famine Reserve Funds will be invested in full in gilt-edged securities commanding the widest market and the Comptroller has been instructed to submit an annual review in his note on the Ways and Means Estimates in order to enable Government to watch the growth of these reserves.

19. In the concluding chapter of their report, the Committee make general recommendations suggesting the delegation of powers to Heads of Departments and the simplification of office work in the Revenue and other offices of the State. The Revenue Commissioner has already been invested with larger powers in order to reduce office work and correspondence and the simplification of work in all Public Offices is under the active consideration of Government.

(*a*) With reference to the recommendation of the Committee for the speedy disposal of darkhasts, Government have already passed orders placing an officer on special duty to assist the District officers for the early settlement of long pending applications for land.

(*b*) The Committee observe that the revenue under the Vani Vilas Sagara is insignificant as compared with the large outlay incurred on it and suggest measures for bringing under cultivation all lands served by the channels under the Reservoir. The matter has already engaged the attention of Government and orders are about to issue on the subject.

(*c*) In regard to their recommendation that a Committee may be appointed to work in conjunction with the Railway Administration for the better management of the Railways, the announcement made at the last Dasara Session of the Representative Assembly regarding the appointment of Advisory Committees will fully provide for the creation of the organization proposed.

(*d*) The recommendations of the Committee in regard to the surplus revenues of the Civil and Military Station and the relief necessary in the matter of the contributions paid by the people of the State to the Imperial Exchequer by way of customs duties are under the active consideration of Government.

(*e*) The question of the negotiability of our securities in British India urged by the Committee in their report has already been raised by Government and will be taken up again at a favourable opportunity.

(f) In regard to the recommendation of the Committee that the annual budget may be placed before both the Representative Assembly and the Legislative Council, Government have already announced the gracious decision of His Highness the Maharaja to permit the Legislative Council to vote on the budget and the Representative Assembly to move resolutions thereon.

20. In conclusion, Government take this opportunity of expressing their high sense of appreciation of the labours of Rajasabha Bhushana Diwan Bahadur K. P. Puttanna Chetty, C.I.E., Chairman, and the other non-official members of the Committee for their luminous survey of the financial position of the State and the great pains they have bestowed in passing under review the expenditure of every department of the State, in their endeavour to correlate sound finance with administrative efficiency. Their report has not only been helpful to Government in the matter of effecting economies in expenditure but has also served a larger purpose, *viz.*, the re-examination of the utility and efficiency of all Government activities from the standpoint of cost to the general tax-payer and also helped towards the formation of a correct public opinion on the true situation regarding the finances of the State.

K. MATTHAN,
Chief Secy. to Govt.

Education Cess.

READ—

Correspondence ending with letter No. 249—L. A. D., dated the 14th December 1922, from the Comptroller to Government regarding the account procedure to be adopted in the matter of the Education Cess collected in the Districts.

ORDER No. E. 4107-16—Edn. 31-22-17, DATED 2ND JANUARY 1923.

Government are pleased to direct that the appended rules of procedure be adopted for making the Education Cess levied in districts available to the Education Department. Forms of accounts to be maintained in the office of the Inspector-General of Education in the matter with instructions for their maintenance are also appended.

K. MATTHAN,
Chief Secy. to Govt.

ACCOUNT RULES OF PROCEDURE FOR TRANSFERRING THE EDUCATION CESS CREDITED IN THE DISTRICT FUNDS ACCOUNTS TO THE EDUCATION DEPARTMENT.

The Education Cess authorised by Government to be collected under Section 24 (c) of the Local Board and Village Panchayet Regulations, on all items of revenue on which Local Cess is now levied will be credited in the Treasury Accounts to "District Funds" and included in the Treasury Pass Book of the District Board noting it distinctly as "Education Cess" so that the District Board may know exactly what amount is credited monthly to the Cess. The District Treasury will send to the Inspector-General of Education on or before the 10th of each month a statement of the Education Cess credited in the previous month in all the treasuries in the District. The District Board will, on receipt of the Pass Book, credit this amount in its monthly account to a new head "Education Cess" to be opened under Debt Heads, so that the Plus and Minus Memorandum of Debt Head balances now appended to the District Fund Cash Account may also shew the receipt, expenditure and balance of the Cess. The President of the District Board will send to the Inspector-General of Education on or before the 20th of each month a plus and minus memo for the previous month shewing the opening balance, receipts, expenditure and the closing balance of the Cess in the District. This memo will be merely an extract of figures against the "Education Cess" in the plus and minus memo of Debt Head Balances appended to the District Fund Cash Account. The Inspector-General of Education will verify the monthly collection of the Cess shewn in the Treasury Statement with that entered in the Plus and Minus Memo received from the District Board, differences, if any, being got rectified in communication with the District Treasury or the District Board as may be necessary.

2. All charges of the Education Department including those debitable to the Education Cess will, as usual, be drawn on bills of the Education Department and paid by the treasuries. But a detailed bill, however, be prepared by the Inspector-General of Education at the end of each quarter for such charges disbursed as are debitable to